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TAGS: [ECON](#) [EAID](#) [KWBG](#) [PREL](#) [IS](#) [GAZA](#) [DISENGAGEMENT](#) [SETTLEMENTS](#)

SUBJECT: SOME GAZANS QUESTION THE NEED FOR SETTLEMENT GREENHOUSES

Classified By: Ambassador Daniel C. Kurtzer for reasons 1.4 (b) and (d)

This cable was cleared with Consulate General Jerusalem.

1. (C) Summary and comment: Some elements within the Gazan business community have questioned the importance of intact transfer of the settlement greenhouses following Israeli withdrawal, suggesting that the GOI, the donor community, and the PA have done insufficient work convincing the private sector of the economic benefits of the proposal. Certain contacts argue that the PA and donors should prioritize investment in existing Palestinian-owned Gaza greenhouses over rehabilitation of settlement greenhouses, while others claim that maintaining the greenhouses will prevent much-needed long-term residential and commercial planning for settlement lands. Continued reports of PA uncertainty over the proper mechanism to handle transfer of the assets, as well as announcements that the PA will not recognize private purchases of settlement assets, have led some within the Gazan private sector to doubt that the greenhouses will continue operating after Israeli withdrawal. GOI disengagement administration head Yonathan Bassey concurs that settlers will dismantle their greenhouses unless they can find buyers within the next several weeks, but some Gush Katif settlers are reportedly maintaining their agribusiness assets in the hope that disengagement will not be carried out. End summary.

GOI and Donors Need PA Decision to Move on Assets

2. (C) Disengagement planning on the Israeli side has prioritized the intact transfer of some 4,000 dunams of high-tech greenhouses into Gazan hands following withdrawal, and GOI officials say they are now waiting for the PA to designate a custodial body for the greenhouses and other agribusiness assets. (Note: According to ConGen discussions with senior PA officials involved in disengagement coordination and planning, the PA plans to be the custodian of properties until decisions on the disposition of the assets are made, whether to keep and privatize the assets, return assets to Palestinians with pure legal title, or settle disputed claims. End note.) USAID's Palestinian Agribusiness Partnership Activity (PAPA) program, designed to help safeguard the greenhouses during the transfer and to facilitate Gazan-Israeli marketing and shipping links post-disengagement, is ready to assist the PA as needed.

3. (C) Gazan private sector contacts claim PA positions on the transfer of assets have focused in part on the need to avoid de-facto legitimization of Israeli ownership. According to staffers working for Israeli Vice PM Shimon Peres, PA officials have been reluctant to consider third-party custodianship, only recently acknowledging to Peres that they may be willing to hire the Dutch body that is slated to take over the 200 dunams of agricultural land owned by the Peres Center for Peace. (Note: PA officials working on the disengagement portfolio told ConGenOffs that the GOI has yet to respond to its questions about the possible role of third parties, including in the verification of assets pre-disengagement. End note.) The PA's Disengagement Ministerial Committee announced April 13 that any contracts to purchase land or assets from which Israel would evacuate would be considered void, thereby nullifying a small number of settlement asset purchases that three major Gazan firms reportedly made in late March and early April. "The PA says the assets belong to the people and they don't want private businesses to come in," Pepsi CEO and Chairman of the Palestinian Business Association Mohammed Yazgi told Econoff April 15, "but they have no plan for what to do with them."

Some Gazans Ask, Why Bother?

4. (C) Despite the potential economic benefits of some USD 80 million worth of advanced agribusiness technology within the settlement greenhouses, several Gazan private sector contacts have called into question the benefit of maintaining them at all. Dr. Hani Shawa of the Bank of Palestine said he believes the settlers hope to sell their greenhouses for "hundreds of thousands of shekels," a price far beyond the means of most Gazan businesses or the PA. In Shawa's view, the money the PA and the donors will have to invest in

maintaining and in some cases refurbishing the Israeli greenhouses would be better spent on expanding and improving approximately 4,000 dunams of existing Gazan-owned greenhouses. "They may not be as high-tech, but they are perfectly suited to growing the main produce exports," Shawa said. He emphasized that donors should not worry about the potential loss of employment for some 9,000 Gazans if the settlement greenhouses are dismantled or destroyed during disengagement -- the boom in construction that he is confident will follow Israeli withdrawal from 30% of the Gaza Strip, s land will, he asserted, create more than enough jobs to make up the loss.

15. (C) Housing engineer and ex-Palestinian Investment Fund board member Jawdat al-Khoudry told Econoff April 13 that he believes most of the Israeli greenhouses should be simply torn down and removed. He views the settlement greenhouses as "scattered" throughout Gush Katif, and believes that "they will get in the way of long-term planning, which is what Gaza actually needs." Khoudry opined that agribusiness should be only one component of a carefully laid-out region including high-rise housing for Gazans currently living in refugee camps, tourism facilities, and light-industrial development. He acknowledged that within this framework, a number of the settlement greenhouses could be rebuilt to great benefit, but he dismisses donor concerns over the high cost of such an enterprise. With a good 20- to 50-year plan in place, Khoudry said, Palestinian and foreign private sector investors will be drawn to Gaza on their own.

Potential Problems the Same
For Settlement and Gazan Greenhouses

16. (C) PalTrade cash crops project officer Hashim al-Hussaini asserted that while the agribusiness sector is crucially important to the Gazan economy -- according to him, agribusiness employs 30% of Gazans and generates 8% of Gazan GDP -- maintaining the settlement greenhouses is not the only key to strengthening agriculture. Initial private sector enthusiasm for USAID's PAPA program was strong, he conceded, and numerous Palestinian firms will likely compete for partnership-building assistance under the program, yet according to Hussaini the Gazan growers unions and major agribusiness firms are in agreement that existing Gazan-owned greenhouses can prove just as effective as the high-tech Israeli assets. Moreover, Hussaini said, potential post-withdrawal problems like water shortages and delays in market access due to Israeli border closures will be the same for either settlement greenhouses or existing Palestinian-owned greenhouses in Gaza. "Whether to invest in the settlement assets or the Gazan greenhouses is a political question with no real relevance to agribusiness growth," he asserted.

17. (C) Hussaini noted that Palestinian Gazan growers exported over 150,000 tons of cash crops to EU markets in 2003 using only their own greenhouses. This high volume encouraged the EU to grant a tax exemption for up to 250,000 tons in the 2004 season, potentially promoting even further growth of the Gazan agriculture sector, yet IDF-imposed security closures at the Gaza border made this total impossible to reach. Hussaini asserted that unless the GOI ensures redundancy at the border crossings, and donor efforts like PAPA guarantee market access, neither maintenance of the settlement greenhouses nor investment in Gazan-owned agribusinesses will boost the broader economy. (Note: Several PA officials, including Agriculture Minister Walid Abed Rabbo, a former UNDP agriculture consultant, continue to express support for PAPA's program to safeguard the settlement greenhouses and help ensure intact transfer. End note.)

Will Settlers Dismantle or Not?

18. (C) Yonathan Bassey, head of the GOI's disengagement administration responsible for relocating and compensating settlers, told EconCouns he expects that unless settlers find a buyer for their greenhouses within the next several weeks -- whether private Gazans, the PA, or a third party -- the settlers will begin dismantling the valuable machinery inside their greenhouses in preparation for relocation. This view is reflected within the Gazan private sector, where contacts say they expect settlers will "destroy" some 40% of the greenhouses out of "spite." Gush Katif spokesman Eran Sternberg told Econoff, however, that since his community believes there is a chance disengagement will fall through, they are not dismantling or removing anything, especially not greenhouses and other agribusiness assets.

19. (C) Comment: While the economic importance of the settlement greenhouses has become accepted wisdom within the donor community, ambivalence within the Gazan private sector suggests that insufficient work has been done to generate

support for the proposal within Gaza itself. One reason for this might be the fact that the PA was still waiting to receive an inventory of settlement assets from the GOI, and was developing a mechanism by which to process Palestinian ownership claims to the land on which these assets sit. At this point, the private sector may view PAPA's partnership-building component, applied towards increasing market access for existing Palestinian Gazan-owned agribusinesses, as more useful than the intact transfer of the settlement greenhouses. End comment.

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